



# 2004

## NEBRASKA CORPORATION INCOME TAX BOOKLET

Visit us at [www.revenue.state.ne.us](http://www.revenue.state.ne.us)

The Nebraska Department of Revenue offers Electronic Funds Transfer (EFT) and credit cards as payment options for Corporate Income Tax. These payment options are a result of the department's continuing expansion of electronic commerce initiatives, and requests by taxpayers. To enroll in the EFT program, contact the department at 1-800-433-8631 at least ten days prior to the due date of the payment. Note: EFT is **required** for some taxpayers.

### Questions?

Call Taxpayer  
Assistance

**1-800-742-7474**

(toll free in NE or IA)

or **1-402-471-5729**

### Included in this Booklet:

Form 1120N,  
Schedules A, I, II, III, and IV,  
and Form 7004N.

NEBRASKA  
possibilities...endless™



# 2004 Nebraska Corporation Income Tax

## INSTRUCTIONS

**NOTE:** The department has changed its method of distributing Corporation Income Tax booklets. **If you wish to receive a printed booklet from the department next year, you must check the box at the top of Form 1120N.** Otherwise, you may obtain a copy from your accountant, at any of our offices throughout Nebraska, or you may download the forms and instructions from our Web site: [www.revenue.state.ne.us](http://www.revenue.state.ne.us).

**WHO MUST FILE.** Every entity engaged in business in Nebraska or having sources of income from Nebraska and subject to federal corporate income tax must file a Nebraska Corporation Income Tax Return, Form 1120N.

**S corporations.** Corporations which have elected to file under Subchapter S of the Internal Revenue Code must file a Nebraska S Corporation Income Tax Return, Form 1120-SN, **unless all shareholders are Nebraska residents and all income is derived from Nebraska sources.**

**Financial institutions** which maintain a permanent place of business in this state and actively solicit deposits from residents of this state must file a Nebraska Financial Institution Tax Return, Form 1120NF, and are **not** to file a Nebraska Corporation Income Tax Return, Form 1120N.

**Cooperative organizations** must file Form 1120N. Exempt farm cooperatives must attach their Exempt Cooperative Association Income Tax Return, Federal Form 990-C. Cooperatives may exclude those patronage dividends, dividends on capital stock, and nonpatronage income allocated to patrons that are allowable deductions or exclusions for federal income tax purposes.

**All exempt organizations** required to file a federal return and pay tax at the federal corporate tax rates on unrelated business income are required to file the Nebraska Corporation Income Tax Return, Form 1120N.

Exempt organizations filing only for the nonhighway use motor vehicle fuels credit are required to attach a Form 4136N to their Nebraska Corporation Income Tax Return, Form 1120N. Complete the information on the top portion of Form 1120N, write "Exempt" on line 1, and enter the amount of credit on lines 19, 25, and 27.

**WHEN AND WHERE TO FILE.** This return must be filed on or before the 15th day of the third month following the close of the taxable year. Exempt organizations reporting unrelated business income are to file on or before the 15th day of the fifth month following the close of the taxable year. Cooperative organizations and foreign corporations with no locations within the United States are to file on or before the original due date of their federal income tax return.

The return must be filed with the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818.

**INCOME SUBJECT TO NEBRASKA TAXATION.** Nebraska income tax applies to the portion of the corporate taxpayer's taxable income derived from or attributable to sources within Nebraska. A corporate taxpayer which is subject to tax in another state must apportion its income unless approval has been granted by the State Tax Commissioner for an alternative method.

**A corporate taxpayer engaged in business in Nebraska which is not subject to tax in another state is to report its entire taxable income to Nebraska.**

**COMBINED INCOME APPROACH.** When a group of corporations conducts a unitary business, a **single combined return** must be filed reporting the income of the entire group. A unitary group engaged in business within and without Nebraska will determine its Nebraska income using an apportionment formula. See the Nebraska Schedule I — Apportionment of Multistate Business instructions.

**PERIOD TO BE COVERED BY THE RETURN.** This return must be filed for the calendar year 2004 or fiscal year beginning in 2004. A corporation reporting for a fiscal year or filing a short-period return must enter the beginning and ending dates of the taxable year in the space provided at the top of the return. The taxable year for Nebraska must be the same as the year used for federal income tax purposes. If a corporation changes its federal taxable year, it must change the Nebraska taxable year accordingly. A copy of the approval from the Internal Revenue Service to change accounting periods must accompany the first return which reflects the change.

**RATE OF TAX.** The tax rate is the rate in effect on the first day of the corporation's taxable year. Corporations filing on a fiscal year or filing a short-period return will compute the tax liability for the entire taxable period by using the tax rate in effect on the first day of the taxable period. A corporation using a 52-53 week fiscal year beginning during the last week in December must use the rate in effect on the following January 1st.

**PAYMENT OF TAX.** The entire tax due is required to be paid on or before the original due date of the return. Any portion of the tax not paid by the original due date of the return may be subject to penalty and will be subject to interest at the statutory rate from the original due date of the return to the date the tax is paid. Make check or money order payable to the Nebraska Department of Revenue. Write the Nebraska identification number on the face of the remittance. Payment may also be made by Electronic Funds Transfer (EFT) or by credit card. To enroll in the EFT program, contact the department at 1-800-433-8631 at least ten days prior to the due date of the payment. Credit card payment is offered through Official Payments Corporation (OPC), which also provides this service to the IRS. Eligible credit cards include VISA, MasterCard, American Express, and Discover. OPC will charge a 2.5 percent convenience fee on tax payments of \$40 or more. The convenience fee is \$1 for tax payments under \$40. Secure credit card payments can be initiated over the Internet at [www.officialpayments.com](http://www.officialpayments.com) or via telephone at **1-800-2PAY-TAX**. You will need to provide the Nebraska Jurisdiction Code, which is **3700**. Your transaction must be made on or before the due date to avoid penalty and interest. An extension of time to file Form 1120N does not extend the date for payment of the tax. Checks written to the Department of Revenue may be presented for payment electronically.

**EXTENSION OF TIME.** It is not necessary to request a Nebraska extension of time when the corporation has been granted an extension to file its federal return. Attach a copy of Federal Form 7004 or an approved federal extension to the Nebraska return. Failure to attach a copy of the extension may result in a late filing penalty. By requesting an extension of time to file your federal return using the Application for Automatic Extension of Time to File Corporation Income Tax Return, Form 7004, you are granted a 6-month extension. When a federal extension of time has been granted and additional time is necessary to file the Nebraska return, the Nebraska Form 7004N needs to be filed on or before the date the federal extension expires.

An extension of time to file may be obtained from the Nebraska Department of Revenue even if the corporation does not request a federal extension of time. The extension must be requested on Application for Automatic Extension of Time to File Nebraska Corporation Income Tax Return, Form 7004N, on or before the

due date of the return. Form 7004N has been included in this booklet. If granted, the extension will be for a seven-month period. No further extension can be granted.

**PAYMENT OF ESTIMATED TAX, FORM 1120N-ES.**

Payment of estimated tax must be made by every corporation or other entity taxed as a corporation under the Internal Revenue Code, when the Nebraska tax liability can reasonably be expected to exceed allowable credits by \$400 or more. Allowable income tax credits are the credit for in lieu of intangible tax, nonhighway use motor vehicle fuels credit, the Community Development Assistance Act credit, Nebraska employment and investment credits from Form 3800N, the Beginning Farmer credit, and the Employment Expansion and Investment Incentive Act credit.

**Corporation Application for Adjustment of Overpayment of Estimated Tax, Form 4466N.**

If a substantial overpayment of estimated income tax has been made, a corporation may file Form 4466N and request an adjustment of the overpayment. Form 4466N must be filed after the end of the tax year and by the 15th day of the third month following the close of the tax year. The application can only be filed if the adjustment requested exceeds **\$500 and 10 percent** of the estimated income tax liability of the corporation.

**PENALTIES AND INTEREST.** Penalties may be imposed for failure to file a complete return, failure to file a timely return, failure to file an amended return when required, or underpayment of tax by the due date of the return.

Interest at the statutory rate is due on the amount of unpaid tax whenever such amount is not paid by the due date, even though an extension of time to file the return has been granted.

**ACCOUNTING METHODS.** The method of accounting used for federal income tax purposes must be used for Nebraska income tax purposes. A corporate taxpayer may not change from the method of accounting used in reporting income in prior years unless the change is approved by the Internal Revenue Service. A copy of this approval must accompany the first return which reflects the change in the method of accounting.

**ROUND TO WHOLE DOLLARS.** Round any amount from 50 cents through 99 cents to the next higher dollar. Round any amount less than 50 cents to the next lower dollar. The amounts on the return and schedules must be shown in whole dollars.

**FEDERAL RETURN.** A copy of the actual federal return and supporting schedules as filed with the Internal Revenue Service must be attached to the return. This includes, at a minimum, a copy of the first four pages and supporting schedules of the Federal Form 1120. If a consolidated federal return is filed, a copy of the consolidating schedules or workpapers for income and expenses, cost of goods sold, and balance sheets, as well as Form 851, Affiliations Schedule, must also be attached. Provide actual copies of schedules and other information which supports the numbers reported on the Nebraska return. Other voluminous information that is part of the federal return filed but is not directly related to the Nebraska reporting may be kept by the taxpayer on file, but must be made available upon request. **A pro-forma federal return is not acceptable.** The Nebraska return is based upon the actual federal return as filed or prepared for filing.

**COMPLETE RETURN.** To constitute a complete return, all informational questions and lines on the return and applicable schedules must be completed and a true copy of the federal return as defined above attached. Failure to attach the federal return information or to complete all informational questions or lines on the returns or schedules will delay processing of the return. A penalty for failure to file a return may be imposed when the actual tax liability cannot be computed from the information appearing on the face of the Nebraska return.

**CHANGES OR CORRECTIONS IN FEDERAL OR OTHER STATE'S RETURN.** Any corporation whose reported

income or deductions are changed or corrected by the Internal Revenue Service or through renegotiation of a contract with the United States is required to report the change or correction within 90 days of the determination by filing an Amended Nebraska Corporation Income Tax Return, Form 1120XN. In addition, any corporation whose reported income or allowable tax credits in another state are changed or corrected by that state or any other competent authority in a way material to the tax liability owed to Nebraska is required to report the change or correction within 90 days after it becomes final by filing an Amended Nebraska Corporation Income Tax Return, Form 1120XN.

Any corporation which files an amended return with the Internal Revenue Service or which files an amended return with another state involving a change or correction material to its Nebraska tax liability must file an amended return with the Nebraska Department of Revenue within 90 days of the filing of the amended federal or state return.

An amended return reporting a change or correction must be mailed separately from the annual return of the corporation.

**NONHIGHWAY USE MOTOR VEHICLE FUELS.** Any corporation with a tax year **ending before January 1, 2005** may claim a credit for nonhighway use motor vehicle fuels. The credit is claimed by filing the Nebraska Nonhighway Use Motor Vehicle Fuels Credit Computation, Form 4136N.

Any corporation with a tax year ending **after December 31, 2004** cannot file Form 4136N. Such corporation may obtain a direct refund of the fuels tax paid by filing a Nebraska Motor Fuels Tax Refund Claim, Form 84, with the department's Motor Fuels Division.

**COMMUNITY DEVELOPMENT ASSISTANCE ACT CREDIT.**

This credit is allowable to business firms for contributions to **approved** projects of community betterment organizations. See the instructions on the 2004 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information. Form CDN and a copy of Form 1099NTC must be attached to the Form 1120N to claim the credit.

More detailed information on this credit can also be obtained by writing to the Nebraska Department of Economic Development, Community and Rural Development Division, P.O. Box 94666, Lincoln, Nebraska 68509-4666; or by calling 1-402-471-3111, or 1-800-426-6505.

**EMPLOYMENT AND INVESTMENT GROWTH CREDIT.**

This credit is allowable for additional investment and creating employment in Nebraska. For more information, see the instructions on the Nebraska Employment and Investment Credit Computation, Form 3800N. Form 3800N must be attached to the Form 1120N to claim the credit.

**Reminder:** Corporations that establish LB 270 credits in tax year 2002 or 2003 must file Form 3800N to show that the required employment and investment levels were maintained.

For more detailed information on this credit, contact the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818; or call toll free 1-800-742-7474 in Nebraska and Iowa, or call 1-402-471-5729.

**BEGINNING FARMER CREDIT.** Any eligible claimant must attach the certificate (Form 1099 BFC) from the Nebraska Department of Agriculture.

**LB 608 CREDIT** is the credit granted after filing an application and \$500 fee with the department for added investment and jobs in certain rural areas and designated enterprise zones. Contact Taxpayer's Assistance or check our Web site for more information.

**SIGNATURES.** This return must be signed by a corporate officer. If the taxpayer authorizes another person to sign this return, there must be a power of attorney on file with the

Nebraska Department of Revenue. Any person who is paid for preparing a taxpayer's return must also sign the return as preparer.

#### DEFINITIONS.

1. **Apportionment** means the process of determining the portion of income derived from sources within a state. **The entire federal taxable income of a unitary business operating within and without Nebraska is presumed subject to apportionment.**
2. **Bonus depreciation** means the special depreciation allowance for certain property pursuant to provisions of the Internal Revenue Code.
3. **Enhanced Section 179 expense deduction** means the federal Section 179 expense in excess of \$25,000 allowed pursuant to provisions of the Internal Revenue Code.
4. **Corporate taxpayer** means any corporation that is not part of a unitary business or the part of a unitary business, whether it is one or more corporations, that is doing business in this state.
5. **Sales** means all gross receipts of the taxpayer.
6. **Single economic unit** means a business where there is a sharing or exchange of value between the parts of the unit. A sharing or exchange of value occurs when the parts of the business are linked by a) common management or b) common operational resources that provide material economies of scale or transfers of value or flow of goods, capital, or services between the parts of the unit.
7. **Subject to the Internal Revenue Code** means a corporation that meets the requirements of Internal Revenue Code Section 243 in order for its distributions to qualify for the dividends received deduction.
8. **Taxable in another state** means that another state has jurisdiction to subject the corporation to a net income tax, whether or not that state imposes such a tax, and the corporation actually pays a net income tax in that state if imposed. The corporation is not taxable in another state if it voluntarily files and pays a net income tax when not required to do so by the laws of that state.
9. **Unitary business** means a business that is conducted as a single economic unit by one or more corporations with common ownership and includes all activities in different lines of business that contribute to the single economic unit. **Common ownership** means one or more corporations owning 50 percent or more of another corporation.
10. **Unitary group** means the group of corporations that are conducting a unitary business. A parent-subsidiary controlled group is a unitary group.

#### SPECIFIC INSTRUCTIONS

**BUSINESS CLASSIFICATION CODE.** Enter the number from the Business Classification Code list in this booklet that best describes your principal business activity. **Please review your code carefully.**

**CORPORATION FILING STATUS.** All taxpayers must complete this portion of the return and answer all questions applicable to the corporation's status.

**QUESTION A.** Mark "Yes" if you file a federal consolidated return.

**LINE 1.** Enter the amount of federal gross sales or receipts as entered on Federal Form 1120 or 1120A (total of line 1 and lines 4 through 10 of Federal Form 1120 or 1120A). If the corporate taxpayer filing Form 1120N is included in a consolidated federal return, enter the amount of consolidated gross sales or receipts.

**LINE 2.** Enter the federal taxable income. A unitary group must enter the amount from line 30, Converting Net Income To Combined Net Income, Nebraska Schedule III, Form 1120N.

**LINE 3.** Enter the federal net operating loss carryover allowed as a deduction on the federal return. See line 11 instructions for allowable Nebraska net operating losses.

**LINE 4.** Enter the portion of the federal capital loss carryover allowed this year.

**LINE 5.** Enter the net amount of other adjustments, if any, to federal taxable income for Nebraska purposes from line 9, Nebraska Schedule A.

The following examples are items which are **not** allowable adjustments decreasing federal taxable income:

1. The wage expense disallowed by the work opportunity tax credit;
2. Federal income taxes or other federal taxes paid;
3. The depreciation disallowed by the investment credit or other federally required basis reduction;
4. Income earned in another state. Instead, Nebraska Schedule I, Apportionment for Multistate Business, must be completed;
5. Adjustment for assets sold which were depreciated using the special bonus depreciation method; and
6. Income from a partnership. For additional information see Nebraska Corporation Income Tax Regulation 24-056.

The federal deduction for state income tax is not an adjustment increasing federal taxable income.

**State and local government bond interest and dividend income is to be included on line 5. See Schedule A, line 1 instructions.**

**LINE 8.** If all income is derived from sources within Nebraska, enter the amount from line 7, Form 1120N.

Corporate taxpayers which derive income from sources within and without Nebraska and are taxable in another state shall enter the amount from one of the following:

1. If the apportionment method of determining Nebraska taxable income is utilized, enter the amount from line 3, Nebraska Schedule I; or
2. If an alternative method is utilized, attach a schedule showing the computation of the Nebraska apportionment factor, enter the amount from line 3, Nebraska Schedule I, and attach a copy of the approval given by the State Tax Commissioner for the alternative method. **The separate accounting method of income attribution can only be used when a prior written application for use of this method has been approved.**

**LINE 9.** Enter the allowable Nebraska capital loss carryover. For a multistate taxpayer, a Nebraska capital loss consists of the loss on property which was used in the unitary business that did business in Nebraska, multiplied by the Nebraska apportionment factor for the year of the loss. If the corporate taxpayer reported a capital loss on corporate stock or other assets, the income from which was not previously treated as income apportionable to Nebraska, such loss cannot be treated as a Nebraska loss. Capital loss carryovers are only allowable to the extent of capital gains in the year of the deduction. Attach a detailed schedule which shows the computation of the capital loss carryover.

**LINE 11.** Enter the allowable Nebraska net operating loss carryover. The amount allowable is based upon the loss previously reported to Nebraska and is not based on a percentage of the federal carryover.

Attach a Nebraska Corporation Net Operating Loss Worksheet which shows the computation of the amount of Nebraska net operating loss carryover.

**Any net operating loss or capital loss can only be carried forward and only for a maximum period of five years.**

**LINE 13.** Use the following tax rate schedule to compute the amount of total Nebraska tax to enter on line 13.

TAX RATE SCHEDULE			
If Net Nebraska Taxable Income from line 12 is —			
Over	But Not Over	Tax Rate is	On Excess Over
\$ 0	\$ 50,000	5.58%	\$ 0
50,000		\$ 2,790 + 7.81%	50,000

**LINE 14.** Enter the amount paid (not accrued) by the corporate taxpayer in this taxable year as taxes in lieu of intangible tax. Credit can only be taken for taxes paid on premiums from Nebraska sources. The taxes paid by any corporation subject to tax under Chapter 77, Article 9, or section 81-523, or by an electric cooperative organized under Chapter 70, Article 14 are considered payments of in lieu of intangible tax. Such taxes include assessments paid to the Comprehensive Health Insurance Pool and allowed as an offset against premium and related retaliatory tax liability pursuant to section 44-4233. Attach a schedule listing the date of payment, amount of payment, the payee, and the statutory section requiring payment of in lieu of intangible tax.

**LINE 17.** If the total on line 17 is greater than the Nebraska tax on line 13, the excess will not be allowed as an overpayment on line 25, nor may it be used as a carryback or carryover to other taxable years.

**LINE 21.** Enter the total of your 2004 estimated tax payments, less any Form 4466N adjustment. Combined filers complete and attach Nebraska Schedule IV.

**LINE 27.** The department must make payment of claims for \$75,000 or more electronically. If you do not have an ACH enrollment form on file with the department, this will delay payment of your refund. The ACH form is available on our Web site.

#### INSTRUCTIONS FOR NEBRASKA SCHEDULE A

##### Summary of Line 5 Adjustments

Nebraska Schedule A must be completed by all corporate taxpayers making any adjustments on line 5 of Form 1120N. Any adjustments that are summarized on Nebraska Schedule A are carried forward to line 5, Form 1120N.

##### Adjustments Increasing Federal Taxable Income

**LINE 1.** All state and local government interest or dividend income (except that issued by Nebraska state and local subdivisions) which is exempt for federal income tax purposes must be included as an adjustment increasing federal taxable income.

For dividends received from a regulated investment company, only the portion of the dividend attributable to Nebraska obligations is not added to federal taxable income for Nebraska tax purposes. Attach a detailed workpaper or schedule listing the source and amount of each deduction claimed.

**LINE 2. BONUS DEPRECIATION ADD-BACK.** Multiply the total bonus depreciation claimed on the federal return by 85 percent (.85) and enter the result on line 2.

**LINE 3. ENHANCED SECTION 179 EXPENSE DEDUCTION ADD-BACK.** Subtract \$25,000 from the total Section 179 expense deduction claimed on the federal return and enter the result on line 3. If the result is less than zero, enter zero.

For a corporation with activity both inside and outside the state, the increased income is apportioned to Nebraska.

The amount of bonus depreciation and enhanced Section 179 expense deduction added back on the 2004 return may be reclaimed in later taxable years in the following manner. Twenty percent of the total amount of 2004 bonus depreciation and enhanced Section 179 expense deduction added back may be subtracted in the corporation's first taxable year beginning or deemed to begin on or after January 1, 2006 and 20 percent in each of the next four taxable years.

**Reminder:** The amount of bonus depreciation or enhanced Section 179 expense deduction added back on the 2001 through

2003 Nebraska returns may also be reclaimed in later taxable years. For additional information see our Web site.

##### Adjustments Decreasing Federal Taxable Income

**LINE 4.** Interest and dividend income from U.S. government obligations represents income which the state is prohibited from taxing by federal law and is an adjustment decreasing federal taxable income.

Corporate Income Tax Regulation 24-048 lists items which can and cannot be excluded. Interest income from repurchase agreements involving U.S. government obligations is **not** deductible as U.S. government interest.

For dividends received from a regulated investment company, only the portion of the dividend attributable to interest on U.S. government obligations may be excluded. Attach a detailed workpaper or schedule listing the source and amount of income derived from each obligation for which a deduction is claimed.

**LINE 5.** Enter the amount of adjustment for foreign dividends, foreign dividend gross-up, or special foreign tax credit deduction from line 12, Nebraska Schedule II.

**LINE 6.** Enter any claimed allocable and nonapportionable income (nonbusiness income) on line 6a. The amount of claimed allocable, nonapportionable income must be reduced by related expenses (enter on line 6b), and a portion of the total interest expense of the taxpayer (enter on line 6c). Related expenses include all direct expenses and all indirect expenses attributable to the activities producing the nonapportionable income. The amount of interest expense that is considered related and which must be disallowed on line 6c is determined by multiplying the total interest expense by the ratio of the investment in the activities producing the nonapportionable income to the total assets. **Entries must be made on lines 6b and 6c or the entire amount of allocable, nonapportionable income claimed may be disallowed.**

Attach a detailed description of the claimed amount, together with evidence that the income is not part of a unitary business. Also attach an affidavit from a corporate officer that the corporate taxpayer has not claimed the same income to be a part of a unitary business subject to apportionment in another state with substantially the same law as Nebraska.

**LINE 7. NEBRASKA COLLEGE SAVINGS PLAN.** Nebraska allows a subtraction from a participant's federal taxable income for the amount of annual contributions made to the Nebraska College Savings Plan administered by the State Treasurer. The maximum annual exempt contribution per return is \$1,000.

**Donations, gifts, and grants** to the Nebraska educational savings plan trust for deposit to the endowment fund are allowed to be subtracted on line 7 to the extent not deducted for federal income tax purposes. You must enclose a **copy of the letter** of receipt from the State Treasurer's office acknowledging the gift received.

**LINE 8.** Enter any other adjustment not reported on lines 4 through 7. Attach a detailed explanation of the basis for such adjustment and any necessary schedules.

**LINE 9.** Enter total adjustments on line 5, Form 1120N.

#### INSTRUCTIONS FOR NEBRASKA SCHEDULE I

##### Apportionment for Multistate Business

Nebraska Schedule I must be completed by all corporate taxpayers which derive income from sources both within and without Nebraska. **The factor on this schedule is rounded to six decimal places. It is entered as a percent.**

Nebraska uses a single-factor, sales-only formula to apportion income.

When a corporate taxpayer consists of two or more corporations engaged in a unitary business, a part of which is conducted in Nebraska, the income of the corporate taxpayer apportionable to Nebraska is determined by applying the ratio of the corporate taxpayer's sales in Nebraska to the sales of the entire unitary group. Each corporate taxpayer must file one income tax return

for the entire group. The return will include all corporations in the unitary business. Any corporation that is required or has received permission to use an alternative apportionment formula cannot be included in the unitary group.

Corporations filing combined returns must complete and attach Subsidiary or Affiliated Corporations, Nebraska Schedule IV, and Converting Net Income to Combined Net Income, Nebraska Schedule III, in addition to Nebraska Schedule I.

A corporate taxpayer that is a partner in a joint venture or partnership with which the corporate taxpayer is unitary must compute its Nebraska taxable income in accordance with Regulation 24-056.

A corporation using an alternative method of apportionment must attach a copy of the approval of the alternative method and a computation of the apportionment factor. Enter the factor on line 2, Nebraska Schedule I, and complete lines 1 through 3.

**SALES FACTOR.** The sales factor is a fraction, the numerator of which is the total sales of the corporate taxpayer in Nebraska during the taxable year, and the denominator of which is the total sales of the taxpayer everywhere during the taxable year. Total sales include gross sales of real and tangible personal property, less returns and allowances, and all other items of gross receipts which constitute taxable income. Intercompany sales between unitary corporations using the combined income approach are excluded from the sales factor. Gross receipts, if substantial in amount and realized from an incidental or occasional sale of a fixed asset used in connection with the taxpayer's regular trade or business, are excluded from the sales factor since the inclusion of such receipts would not fairly reflect the extent of the taxpayer's business activity in Nebraska.

The following sales of tangible personal property are included as Nebraska sales in the sales factor:

1. Sales of property which are delivered or shipped to a purchaser, other than the U.S. government, within Nebraska regardless of the f.o.b. point or other conditions of the sale; and
2. Sales to the U.S. government of property shipped from an office, store, warehouse, factory, or other place of storage in this state.

Sales other than the sales of tangible personal property are in Nebraska if:

1. The income-producing activity is performed in Nebraska; or
2. The income-producing activity is performed both within and without Nebraska and a greater proportion of the income-producing activity is performed in Nebraska during the taxable year than in any other state, based on costs of performance.

Sales or receipts not specifically assigned by the preceding paragraphs are assigned as follows:

1. Gross receipts from the sale, rental, or lease of real property are in Nebraska if the real property is located in Nebraska.
2. Gross receipts from the rental, lease, or licensing of tangible personal property are in Nebraska if the property is in Nebraska. If the property was both within and without Nebraska during the taxable year, then the gross receipts attributable to the period, or the ratio of time the property was used in Nebraska, are considered in Nebraska.
3. Gross receipts from the performance of services are in Nebraska if the services are performed in Nebraska. If such services are performed partly within and partly without Nebraska, a portion of the gross receipts from performance of the services shall be attributed to Nebraska based upon the ratio which the direct costs

incurred in Nebraska bear to the total direct costs of the services.

4. Gross receipts from the interest income or service charges arising from the sale of tangible personal property are attributable to Nebraska if the sale is attributed to Nebraska.

**SALES TO THE U.S. GOVERNMENT.** The U.S. government is the purchaser when it makes direct payment to the seller. A sale to the U.S. government of tangible personal property is in Nebraska if it is shipped from an office, store, warehouse, or other place of storage in Nebraska. The above rules for sales of other than tangible personal property apply to sales made to the U.S. government.

## **INSTRUCTIONS FOR NEBRASKA SCHEDULE II**

### **Foreign Dividend and**

### **Special Foreign Tax Credit Deduction**

Nebraska Schedule II must be completed to compute the deduction for dividends received or deemed to be received from corporations that are not subject to the Internal Revenue Code. A deduction is only allowed for those amounts included in federal taxable income (line 30, Federal Form 1120). In addition, an adjustment is allowed for income that is taxed by a foreign country or one of its political subdivisions at a rate in excess of the maximum federal corporate tax rate. The adjustment can be made for each foreign country or group of foreign countries. The amount of federal taxable income from operations within a foreign taxing jurisdiction shall be reduced by the amount of taxes actually paid to the foreign jurisdiction that are not deductible solely because the foreign tax credit was elected on the federal income tax return. The amount of after-tax income shall then be divided by one minus the maximum tax rate for corporations in the Internal Revenue Code. The result of this calculation will be subtracted from the amount of federal taxable income from foreign operations.

The difference is reported in the total adjustment computed on Nebraska Schedule A and is included as an adjustment to federal taxable income on line 5, Form 1120N. Schedule C, Federal Form 1120, and Schedules A and B of Federal Form 1118 must be attached.

**LINE 11.** If line 10 is greater than or equal to line 7, enter -0-. If line 10 is less than line 7, enter the difference, but do not enter more than the amount on line 8.

**LINE 12.** Enter the total of lines 3, 4, 5, 6, and 11 on line 12 and transfer this total to line 5, Nebraska Schedule A.

## **INSTRUCTIONS FOR NEBRASKA SCHEDULE III**

### **Converting Net Income to Combined Net Income**

Nebraska Schedule III must be completed by each corporate taxpayer filing a combined Nebraska Corporation Income Tax Return, Form 1120N. If additional space is required, attach a schedule using the same format as Nebraska Schedule III.

In lieu of Nebraska Schedule III, the corporate taxpayer may begin with amounts reported on the federal return and then make the necessary adjustments to arrive at combined income. This schedule should be in a format similar to Nebraska Schedule III, and is to be attached to Form 1120N.

## **INSTRUCTIONS FOR NEBRASKA SCHEDULE IV**

### **Subsidiary or Affiliated Corporations**

Nebraska Schedule IV must be completed if the corporate taxpayer is a member of a unitary group or if the corporate taxpayer either individually or as a group owns 50 percent or more of another corporation or is owned 50 percent or more by another corporation. If additional space is required, attach a schedule using the same format as Nebraska Schedule IV.

The amounts on lines 20, 21, and 24 of Form 1120N are equal to the column totals of columns A, B, and C, respectively. The amount on line 12 in the Nebraska column of Schedule I, Form 1120N, is equal to the column total of column D.



# Nebraska Corporation Income Tax Return

for the taxable year January 1, 2004 through  
December 31, 2004 or other taxable year

FORM 1120N

2004

beginning

, 2004 and ending

PLEASE DO NOT WRITE IN THIS SPACE

Please Type or Print

Name

Street or Other Mailing Address

City or Town

State

Zip Code

☐ Check here if this is a change of name or address.

☐ Check here if you need to receive a printed booklet from the Nebraska Department of Revenue next year.

## All Applicable Lines and Questions Must be Completed for the Return to be Processed

Check box if: ☐ Initial Nebraska Return ☐ Cooperative Organization  
☐ Final Nebraska Return ☐ Exempt Organization

Principal Business Activity in Nebraska

Date Business Began in Nebraska

Nebraska Identification Number

Federal Identification Number

Business Classification Code (New Codes – See Instr.)

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### Corporation Filing Status (Answer questions A through D, as applicable.)

A. Is this a corporation that owns at least 50% of another corporation; or is it owned at least 50% by another corporation?

(1) ☐ YES

(2) ☐ NO

If Yes, attach Federal Form 851 or a schedule of affiliated corporations and federal ID's and answer questions B, C, and D.

B. Is one single Nebraska return being filed for the entire group?

(1) ☐ YES

(2) ☐ NO

C. Are you filing as a unitary group in any other state?

(1) ☐ YES

(2) ☐ NO

D. Check the method used to determine Nebraska income (check only one):

(1) ☐ Combined report of a controlled group of corporations

(2) ☐ Separate report by a member of a controlled group of corporations

(3) ☐ Alternate method (attach Department of Revenue approval)

All corporations required to file must complete this page. Schedules A, I, II, III, and IV must be completed if appropriate. Complete Schedule A, lines 2 and 3, to report any bonus depreciation and enhanced Section 179 expense deduction add-back.

1	Federal gross sales or receipts from attached Federal Form 1120 or 1120A (see instructions) .....	1		
2	Federal taxable income (see instructions) .....	2		
3	Federal net operating loss deduction .....	3		
4	Federal capital loss carryover .....	4		
5	Other adjustments (enter line 9 from attached Nebr. Schedule A — see instr.) .....	5		
6	Total adjustments (add lines 3 and 4, plus or minus line 5) .....	6		
7	Adjusted federal taxable income (line 2 plus or minus line 6) .....	7		
8	Nebraska taxable income before Nebraska carryovers (see instructions) .....	8		
9	Nebraska capital loss carryover (see instructions) .....	9		
10	Line 8 minus line 9 .....	10		
11	Nebraska net operating loss carryover (see instructions — attach worksheet) .....	11		
12	Net Nebraska taxable income (line 10 minus line 11) .....	12		
13	Nebraska tax (from tax rate schedule in instructions) .....	13		
14	Credit for in lieu of intangible tax paid (see instructions — attach schedule) .....	14		
15	CDAA credit (see page 3 instructions — attach forms) .....	15		
16	Form 3800N credit (attach Form 3800N) .....	16		
17	Total nonrefundable credits (total of lines 14, 15, and 16) .....	17		
18	Subtract line 17 from line 13 (if line 17 is more than line 13, enter zero [0]) .....	18		
19	Form 4136N credit (see page 3 instructions — attach Form 4136N) .....	19		
20	Tax deposited with Form 7004N .....	20		
21	2004 estimated tax payments (minus any Form 4466N adjustment) .....	21		
22	Beginning Farmer credit (attach certificate) <input type="checkbox"/> ; LB 608 credit <input type="checkbox"/> .....	22		
23	Total payments (total of lines 19, 20, 21, and 22) .....	23		
24	TAX DUE (line 18 minus line 23) <input type="checkbox"/> <b>Check this box if payment is made by Electronic Funds Transfer (EFT)</b> If over \$400 and Form 2220N is attached, include penalty in line 24 and show here: 99 \$ .....	24		
25	OVERPAYMENT (line 23 minus line 18) .....	25		
26	Amount on line 25 you want CREDITED to 2005 estimated tax .....	26		
27	Amount to be REFUNDED (line 25 minus line 26). If \$75,000 or greater, see instructions .....	27		

Under penalties of perjury, I declare that as taxpayer or preparer I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is correct and complete.

sign  
here

Signature of Officer

Date

Signature of Preparer Other than Taxpayer

Date

Title

Daytime Phone Number

Address

Daytime Phone Number

A TRUE COPY OF THE FEDERAL RETURN AND SUPPORTING SCHEDULES MUST BE ATTACHED TO THIS RETURN.  
Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94818, LINCOLN, NE 68509-4818





**NEBRASKA SCHEDULE A — Summary of Line 5 Adjustments**  
**NEBRASKA SCHEDULE I — Apportionment for Multistate Business**  
**NEBRASKA SCHEDULE II — Foreign Dividend and Special Foreign Tax Credit Deduction**

**FORM**  
**1120N**

Name as Shown on Form 1120N

Nebraska Identification Number

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**Nebraska Schedule A — Summary of Line 5 Adjustments**

• You must use Schedule A if you make an adjustment on line 5 of Form 1120N

1	State and local government interest and dividend income (see instructions) .....	1	
2	Bonus depreciation add-back (see instructions) .....	2	
3	Enhanced Section 179 expense deduction add-back (see instructions) .....	3	
4	Qualified U.S. government interest deduction. See Reg. 24-048, attach supporting schedule .....	4	
5	Foreign dividends, gross-up, or special foreign tax credit deduction (line 12, Neb.Sch. II) .....	5	
6	Allocable, nonapportionable income	6 a	
	Less: Related expenses .....	6 b	
	Interest expense disallowance .....	6 c	
6	Net allocable, nonapportionable income (attach affidavit — see instructions) .....	6	
7	Nebraska College Savings Plan (see instructions) .....	7	
8	Other adjustments (attach detailed explanation and schedule) .....	8	
9	TOTAL adjustments (line 1 plus lines 2 and 3 minus the total of lines 4, 5, 6, 7, and 8). Enter here and on line 5, Form 1120N.	9	

**Nebraska Schedule I — Apportionment for Multistate Business**

1	Adjusted federal taxable income (line 7, Form 1120N) .....	1	
2	Nebraska apportionment factor (line 13 below) .....	2	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %
3	Taxable income apportioned to Nebraska (line 1 multiplied by line 2). Enter here and on line 8, Form 1120N .....	3	

**SALES OR GROSS RECEIPTS**

Apportionment Factor	Total	Nebraska	Nebraska Apportionment Factor
4	Sales or gross receipts minus returns and allowances .....	4	
5	Sales delivered or shipped to purchasers in Nebraska:		
a	Shipped from outside Nebraska .....	5 a	
b	Shipped from within Nebraska .....	5 b	
6	Sales shipped from Nebraska to the U.S. government .....	6	
7 a	Interest on sales of tangible property .....	7 a	
b	Interest, dividends, and royalties from intangible property .....	7 b	
8	Gross rents .....	8	
9	Net gain on sales of intangible property .....	9	
10	Gross receipts from sales of tangible personal and real property not included above .....	10	
11	Other income (attach schedule) .....	11	
12	TOTAL SALES OR GROSS RECEIPTS .....	12	
13	Nebraska apportionment factor. Divide line 12, Nebraska column, by line 12, total column, and round to six decimal places. Enter as a percent here and on Schedule I, line 2 above .....	13	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> %

**NEBRASKA SCHEDULE II — Foreign Dividend and Special Foreign Tax Credit Deduction**

• Attach Schedule C — Federal Form 1120

**FOREIGN DIVIDEND DEDUCTION COMPUTATION**

**NOTE: The Nebraska Foreign Dividend Deduction calculated on lines 1 through 6 is only for those dividends included in federal taxable income from corporations which are not subject to the Internal Revenue Code. This includes those corporations whose dividends do not qualify for the dividend received deduction under IRC Section 243.**

1	Dividends from foreign corporations and certain FSC's subject to Section 245 deduction (total of Federal Form 1120, Schedule C, lines 6 and 7, column [a]) .....	1	
2	Special deductions on line 1 amount (total of Federal Form 1120, Schedule C, lines 6 and 7, column [c]) .....	2	
3	Net foreign dividends subject to Section 245 deduction included in federal taxable income (line 1 minus line 2) .....	3	
4	Other dividends from foreign corporations (Form 1120, Schedule C, line 13) .....	4	
5	Income from controlled foreign corporations under Subpart F (Form 1120, Schedule C, line 14) .....	5	
6	Foreign dividend gross-up (Section 78) (Form 1120, Schedule C, line 15) .....	6	

**SPECIAL FOREIGN TAX CREDIT DEDUCTION COMPUTATION**

**NOTE: This deduction is only to be claimed when a corporation subject to the Internal Revenue Code is actually taxed by a foreign country or one of its political subdivisions at a rate in excess of the maximum federal corporate tax rate.**

7	Federal taxable income from qualifying foreign taxing jurisdiction(s) List jurisdiction(s): .....	7	
8	Foreign taxes paid on line 7 amount(s) for which foreign tax credit is taken .....	8	
9	Line 7 minus line 8 .....	9	
10	Divide line 9 result by .65; enter result .....	10	
11	Special foreign tax credit adjustment (if line 10 is greater than or equal to line 7, enter -0-; if line 10 is less than line 7, enter difference) .....	11	
12	Total foreign dividend and special foreign tax credit deduction, if applicable (total of lines 3, 4, 5, 6, and 11). Enter here and on line 5, Nebraska Schedule A .....	12	





# NEBRASKA SCHEDULE III — Converting Net Income to Combined Net Income

• If you use this schedule, read instructions and attach this page to Form 1120N

FORM  
**1120N**

Name as Shown on Form 1120N

Nebraska Identification Number

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Income and Deductions	Corporation Names (Enter Names Below)			Eliminations (Attach Explanation)	Combined Income
1 Gross receipts or gross sales minus returns and allowances .....					
2 Minus: Cost of goods sold or operations .....					
3 Gross profit .....					
4 Dividends .....					
5 Interest .....					
6 Gross rents .....					
7 Gross royalties .....					
8 Capital gain net income .....					
9 Net gain (loss) .....					
10 Other income .....					
11 TOTAL INCOME (LOSS) (total of lines 3 through 10) .....					
12 Compensation of officers .....					
13 Salaries and wages (minus employment credit) .....					
14 Repairs and maintenance .....					
15 Bad debts .....					
16 Rents .....					
17 Taxes .....					
18 Interest .....					
19 Charitable contributions .....					
20 Depreciation .....					
21 a Minus depreciation claimed elsewhere on federal return .....					
b Net depreciation .....					
22 Depletion .....					
23 Advertising .....					
24 Pension, profit sharing, etc. plans .....					
25 Employee benefit plans .....					
26 Other deductions (attach schedules) .....					
27 TOTAL DEDUCTIONS (total of lines 12 through 19 and 21b through 26) .....					
28 Taxable income before federal adjustments (line 11 minus line 27) .....					
29 Minus: a Net operating loss deduction .....					
b Special deductions .....					
30 Taxable income (line 28 minus lines 29a and 29b). Enter amount in "Combined Income" column and on line 2, Form 1120N .....					

\* Complete columns A, B, and C if tax payments were made under more than one Nebraska identification number.

\*\* Complete column D to summarize the numerator of the corporations filing one combined corporation income tax return.